



Policy Notes

Ukraine's path to the European Union: Challenges and Perspectives

Three years ago there was a Revolution of Dignity in Ukraine (also known as 'Maidan'), which changed the fate of the country and to some extent influenced the changing geopolitical landscape of Europe. For Ukraine, these events ended a period of uncertainty in deciding which course to take. The Revolution of Dignity did not begin with anti-Russian catch-cries, or calls for social change. These appeared later, when the Yanukovich regime through force and weapons tried to put an end to the Maidan, and when Russia, realising that it could ultimately lose Ukraine, unleashed its military aggression.

The Revolution of Dignity began under the flag of the European Union. Students were the first to come out onto the Maidan, because they were being denied their European future. In November 2013 the pro-Russian president, Viktor Yanukovich, suspended negotiations regarding an association agreement between Ukraine and the EU. For Ukraine Euro-integration is not simply a slogan, it is a return to its historical, geographical and civilizational identity. According to these parameters, Ukraine was always a part of Europe.

But the world changes and Europe changes as well. This is evidenced by Brexit, and future elections in leading European countries, as well as the referendum in the Netherlands, and the current political situation in some European states. It would be too bold of me to determine the reasons for these changes. Such a discussion is only just beginning and it is based on several questions. Is this the victorious march of populist nationalism, as a counterweight to globalisation?

Are these the consequences of a re-think of the global role of world players (USA, Russia, China)? Or is it a reaction to the enormous violation of the world order and the architecture of European and global security by third countries, such as the Russian Federation?

It is a challenge to everyone: the world, Europe, Ukraine.

Three years have passed since the Revolution of Dignity. Three very difficult years for Ukraine. However, its course toward Europe has remained unchanged. There has been progress in this direction, but new challenges have appeared, both in Ukraine and in Europe. There have been internal challenges associated with the transformation of Ukrainian society, the introduction of domestic reforms, and the unification of the nation around a single European idea. I am not only talking about the manifestations of these transformations (such as the creation of certain institutions and the implementation of

His Excellency Dr Mykola Kulinich Ambassador of Ukraine to Australia

This Policy Note was presented by HE Dr Kulinich in a public lecture at the ANU Centre for European Studies (ANUCES) on 16 February 2017. An audio recording of the lecture is available from ANU Soundcloud: https://soundcloud.com/experience_anu/ukraine-eu-path

certain steps) but rather, a fundamental change in society itself, in its consciousness. It is a more profound, fundamental assignment for Ukrainian society.

Ukraine has at last understood that European integration is not a single-step action, but more an in-depth process. Our progress depends on fundamental internal transformations. Our goal is not only formal membership, but the achievement of a level of standards which are commensurate with EU membership.

There have been external challenges associated with changes taking place in Europe itself, reflected in different attitudes to consolidation approaches and to EU enlargement, and the ambiguous attitude towards sanctions policy regarding Russian aggression. More and more the EU is focused on its own internal problems. All of this can cause misunderstandings, disappointment and even frustration on both sides. The West accuses Ukraine of undertaking too few reforms and making little progress in fighting corruption, and Ukraine in turn accuses Europe of setting up artificial barriers (such as the referendum in the Netherlands to grant Ukraine the status of an associate member of the EU, and delays in granting a visa-free regime).

The Russian Federation is actively fomenting these processes in an effort to deepen and extend them. From the time Putin assumed power he tried to weaken the EU as one of the geopolitical centres in a multipolar world, understanding that a united Europe, with its economic and social development model, is more attractive and promising to former Soviet states, and would threaten the dominance of the Russian Federation.

The Russian Federation acts in the information field, in the sphere of pseudo-support for its citizens in EU countries in support of

Ukraine's path to the European Union: challenges and perspectives

radical nationalist movements, leading to contrived tension on the borders of the EU and NATO (although its own citizens within the Russian Federation suffer badly, living below the poverty line, subject to corruption and social inequality. This is done in order to discredit the idea of a united Europe and a strong NATO in the eyes of Europeans themselves, and in the eyes of those who seek to become a part of a single European family.

Aside from the fact that Ukraine is struggling with a military threat today and undertaking internal transformations, we are experiencing a far more complex process of transformation of consciousness. The whole of Ukraine, not only its western and central regions, but the entire country, is freeing itself of years of brainwashing and the false belief that we cannot survive without the Russian Federation. Today we are ridding ourselves of the postulate that there is no alternative to economic dependence on the Russian Federation, replacing it with a European scale of values. The eradication of notions imposed upon us by Russia is happening simultaneously with changes to game rules in Ukrainian society. In other words, we are changing the game rules to change people's consciousness.

Is anything changing in Ukrainian society? Ukraine has now survived one year without buying gas from the Russian Federation. The utilisation of energy-saving technologies has risen several-fold, and by joining the free trade agreement with the EU we have been able to replace our export-import dependence on Russia and re-orient our economy to the European market. Total trade between the EU and Ukraine increased by 7.5 % in the period October 2015 – September 2016. In turn the EU has also received a huge market for its goods and access to a previously confined labour market, natural resources and land. These capabilities, incidentally, may be of interest to Australia as well, which has no free market with the EU.

During 2015 and 2016 more than 150 new enterprises appeared in Ukraine, including: 52 operational manufacturing plants; 26 manufacturing plants under construction; 29 solar power stations (another 13 international companies have expressed interest in constructing a solar power station in the Chernobyl exclusion zone); 11 grain silos (in 2016 Ukraine harvested 66 million tons of grain); 2 gas fields; and 5 wind farms. I will briefly focus on reforms achieved in each of the sectors.

Anticorruption reforms

Ukraine has set up new anticorruption institutions and adopted legislation to fight corruption, which it is starting to implement. The National Anti-Corruption Bureau (NABU) – a new law-enforcement agency – started its first investigations into high-level corruption in December 2015. The National Agency for the Prevention of Corruption (NAPC) has been operational since early 2016.

The NAPC took over the function of coordinator of anti-corruption policy in Ukraine from the Ministry of Justice. The NAPC focuses on political corruption (financing of political parties), monitoring of conflict of interest, and is in charge of state policy on the prevention of corruption. The NAPC launched Ukraine's new electronic tax declaration system on 15 August 2016 as a tool to increase transparency and curb corruption. The first stage of the e-declaration process, when only high-ranking officials had to fully reveal their incomes, property and assets, was successfully completed on 30 October 2016.

This was followed by the mandatory submission of e-declarations by all Ukrainian public officials from 1 January to 31 March 2017.

The creation of a new State Bureau of Investigation (SBI) and a new Anti-Corruption High Court is still outstanding. It will unite the investigations into crimes committed by law-enforcement and high-level officials, and officers of the National Anti-Corruption Bureau and the Specialized Anti-Corruption Prosecutor's office.

Economic development and trade opportunities

Ukraine is mainstreaming the most innovative public procurement system in Europe (ProZorro), which has been recognised internationally for its effectiveness in reducing the potential for corruption in the awarding of public contracts and saving the country millions of dollars in public funds through savings in efficiency. ProZorro won the prestigious World Procurement Award in May 2016 and was named the best procurement system in the world by the Open Government Awards.

Ukraine has climbed from 112th to 80th in the World Bank's 'Doing Business' ranking. This is a major improvement in 2.5 years, to climb 32 rankings. The current rank shows that we are moving in the right direction. Moreover, Ukraine is 30th in the 'Starting a Business' ranking out of 189 economies.

As part of tax reform in 2015/16, the government introduced a number of measures to encourage business. It reduced the number of taxes from 22 to 11, decreased the number of tax reporting forms and administrative regulations, and introduced unified and transparent rules for all commercial entities. In 2016 Ukraine was in 107th place (among 189 countries) according to the Paying Taxes report issued by the World Bank Group. In 2012 Ukraine had been in 181st place.

Since 1 August 2016, the public procurement system ProZorro has been mandatory for all public sector contracts, and we have been able to join the WTO Agreement on Government Procurement. We have also been able to offer support to Ukrainian exporters trying to enter public procurement markets abroad, and we have a team working with the EU on harmonising our procurement standards. Ukraine, and in particular its Anti-Monopoly Committee (AMCU), continues efforts to align its competition framework with the EU.

Energy efficiency and protection of the environment

A new Gas Market Law came into force on 1 October 2015. Ukraine has made significant progress in reforming its energy markets. We have deregulated the price of gas, since the ability to manipulate the price of gas was a key source of corruption. Ukraine is dealing with European countries and their economies, while reducing gas consumption and no longer buying gas from Russia. This move helps us to safeguard our ability to shape our own future, and makes us a stronger partner for the EU and the transatlantic community.

Ukraine is preparing amendments to its National Environmental Strategy to 2020 and a National Environmental Action Plan. A New Safe Confinement dome, which was constructed in Chernobyl with EU Assistance, was successfully put in place over the destroyed fourth reactor of the Chernobyl Nuclear Power Station.

Justice and police reforms

On 2 June 2016 Parliament adopted amendments to the Constitution of Ukraine in the judicial field. This will significantly speed up the process of restarting the judiciary in Ukraine according to new ethical and professional rules. The Law 'On the Judiciary and the Status of Judges' strengthens existing measures to prevent conflict of interest, enhances the ethics code and foresees the establishment of an anti-corruption court in Ukraine. A selection process for new Supreme Court judges is to be established in 2017.

New principles of formation and work practices in the High Council of Justice and the High Qualification Commission of Judges have been widely implemented. Judges are now subject to new training, tests and updated professional requirements. We are currently evaluating the qualifications and integrity of all judges in Ukraine, and removing those who do not meet the new standards. This process will take some time, but it will go a long way to improving the rule of law in Ukraine and public confidence in the administration of justice. Police officers have already begun work in 32 Ukrainian cities. New recruits are being trained across the country.

Visa-free regime

Under difficult circumstances, Ukraine has fulfilled all 144 points of the Visa Liberalization Plan and therefore fulfills the criteria for visa-free travel as determined by the EU. Support from the international community has been crucial to the country making progress in many areas. Ukraine is seeking to reach European standards regarding the rule of law and free, democratic life. A visa-free regime is important for the stability of Ukraine and to ensure continued domestic support for its European course, because this movement in the wider society has been and will remain absolutely central to the progress that Ukraine is making.

National security and defence reform achievements

State expenses on defence were substantially increased from 960 million Euro in 2014 to 1.6 billion Euro in 2015, and almost 2.3 billion Euro in 2016. Expenses on defence in the state budget in 2017 are 3% of GDP, whereas in Great Britain it is 2.1 %, in Germany 1.2%, and in Belgium just 1% of GDP. In 2014 157,000 soldiers were in the Ukrainian Armed Forces (UAF). By the end of 2016 the number rose to 250,000 soldiers. This is more than in Germany, Great Britain and Italy. In November of last year, in the first week alone, 1,600 contract soldiers joined the UAF. According to recent polls, Ukrainians' trust in the army increased to 63% from 45% in 2015.

In 2016 UkrOboronProm (a Ukrainian Defence Industry state company) offered 11 innovative samples of weapons and military equipment: the 'Horylytsia' and 'ANCER' unmanned combat air vehicles, the 'Nabat' 120mm mortar launcher, the 'Kolchuga-2' radar station, a laser weapon system, the 'Fantom' tactical unmanned multipurpose vehicle, the 'Taipan' combat module, and the 'Pelikan' three-dimensional radar station. More than 60 partner countries purchased military equipment produced by "UkrOboronProm" in 2016.

The security aspect should be particularly interesting to the EU, because in addition to the economic component, an important component is the successful functioning of EU security. The EU

was created to promote the prosperity of a peaceful Europe. Peace and stability are the indicators that have been and remain one of the components of success in a united Europe. Only a safe Europe can become a successful and prosperous Europe. The EU is worried that new potential members will bring instability and problems. The Russian Federation is also playing this card in its information propaganda, trying to discredit EU security policies and the military capabilities of NATO.

But it is the Russian Federation itself which is destabilising the situation. Two years ago Russia transformed Crimea from a warm seaside resort into a military base with nuclear weapons. Taking into account the strategic location of Crimea, this course of action radically changes the balance of power in the Black Sea, which directly threatens member countries of NATO. It is the Russian Federation that facilitated the deepening humanitarian crisis in Syria, resulting in a flood of refugees into Europe. And it was the Russian Federation that unleashed the conflict on the borders of the EU, supporting radical movements in eastern Ukraine, which led to the tragic deaths of EU and Australian citizens in the shooting down of MH17.

Ukraine has stymied the military aggression also threatening the Baltic states. It has become a front-line country, which is holding back a front bent on the borders of the EU. Russian aggression has strengthened the Ukrainian army and brought about its reformation. Ukraine is the only country in Europe with experience in conducting combat operations in the new type of war – hybrid war. We are not calling on Europe to go to war, but are asking for support from the West to let the Russian Federation understand that evil must be and will be punished. As history shows, condoning an aggressor only encourages his further expansion.

Many people in Europe say that during war conflict there are no possibilities of good economic cooperation. We understand Europe's fears, but want to remind people that only 2% of Ukraine's territory is involved in the conflict, and that only 5% of our economic potential has been lost, and otherwise everything else is working as usual. We are not completely utilising investment potential. Investors see risks associated with the war, but investments are coming in from Japan, the Arab Emirates and China. This is because Ukraine has much to offer. Why is the EU waiting? The politics of wait-and-see do not meet the requirements of our times.

The process should be bilateral and mutually beneficial. Neither party need make concessions – neither Europe nor Ukraine. Thus, while not changing its strategic course to achieve European standards, Ukraine will amend its policies according to Europe's readiness. This is a two-way street, but it is the only way to go. We will not let third forces divert Ukraine from its European path, or stop the EU from enhancing and strengthening its role.

The time has come to defend what's ours. Today we are told to divide the world between those for whom democracy is the highest of values and those who can do without it. If the West loses its unity now and exchanges its values for pragmatism, the territory of power and dictatorship will expand and reach the EU borders. And then it will continue to expand. Eventually the democratic world will become smaller than the world of power, evil and tyranny. That is why each of us must make a choice. Ukraine has made its choice, a choice for democratic values and freedom. Ukraine is making its way to Europe. Ukraine will be in Europe.

CONTACT US

**The Australian National University
Centre for European Studies (ANUCES)**

1 Liversidge Street, Building #67C
Canberra ACT 2601
Australia

Professor Jacqueline Lo, ANUCES Executive Director

T +61 2 6125 9896

E europa@anu.edu.au

W <http://politicsir.cass.anu.edu.au/centres/anu-centre-for-european-studies>

CRICOS Provider #00120C